



*The Town of Leesburg*  
INTEROFFICE MEMORANDUM  
DEPARTMENT OF FINANCE

TO: John Wells,  
Town Manager

DATE: February 20, 2014

FROM: Norm Butts,  
Director of Finance

RE: Elimination of Pro-Rating  
Personal Property Taxes

**PURPOSE:** This memorandum is provided for information purposes in support of a Town Council work session agenda item regarding the proposed elimination of pro-rating personal property taxes.

**ISSUE:** Currently the Town pro-rates personal property taxes so that a taxpayer pays taxes on personal property in proportion to the amount of time the personal property has been sited in the Town during the tax year. This process is overly complex, can cause enormous taxpayer confusion, and needlessly wastes taxpayer time as further described below. **Tax simplification and enhanced customer service are the twin goals to be achieved with the elimination of pro-rating personal property taxes.**

**BACKGROUND:** The Town levies taxes on personal property assessed at \$337 million. The lion's share of that personal property assessment consists of motor vehicles (\$316 million, 93.8%). Previously Town Council eased the regulatory burden on personal property taxpayers by removing the requirement for an annual decal for motor vehicles. The regulatory burden on personal property taxpayers could be further reduced by eliminating the pro-rating requirement as explained below.

Currently

Taxpayers are required to declare ownership of personal property in January of a tax year. If the personal property declared in January is traded or sold during the tax year, or if the taxpayer moves into or out of the Town during the tax year, he or she is required to report those events to the county assessor. The taxpayer will then receive a refund or credit on the old property based on the amount of time the property was sited in the Town and then pay taxes on any new or replacement property based on the amount of time that property was sited in the Town.

**For example:** If a taxpayer owned a 2010 Toyota Camry (the most common type of vehicle) on January 1, 2014 valued (assessed) at \$15,000, she would pay personal property taxes of \$75.00 (after the state credit). If she bought a new 2014 Toyota Camry on July 1, 2014 valued at \$24,000, she would be due a refund of \$37.50 for the 2010 vehicle and would owe \$70.00 for the new 2014 vehicle (after the state credit). Total personal property taxes paid in the tax year would be \$107.50.

### Proposed

Taxpayers will pay taxes on personal property owned on January 1.

**For example:** (Same facts as above) Total personal property taxes paid in the tax year in one single transaction would be \$75.00.

### Other Jurisdictions

The Weldon Cooper Center for Public Service in its publication Virginia Local Tax Rates, 2013 reports 15 of 39 cities (38.5%), 64 of 95 counties (67.4%), and 178 of 191 towns (93.2%) do not prorate personal property taxes on motor vehicles. A listing of Northern Virginia jurisdictions that do not pro-rate personal property taxes is as follows:

- |                  |                 |
|------------------|-----------------|
| 1. Manassas      | 3. Purcellville |
| 2. Manassas Park | 4. Middleburg   |

Northern Virginia jurisdictions with much higher tax rates appear more likely to prorate and to provide for two installment/payment options. I also note that Vienna, Herndon, Dumfries, and Lovettsville do not levy personal property taxes.

**FISCAL IMPACT:** The fiscal impact for 2012 shows the Town would actually have saved \$19,632, determined as follows. The supplemental billing for tax year 2012 due to pro-ration produced \$34,119 in additional revenue. Expenses are estimated at \$51,407 in salary (.75 FTE) and \$2,344 for printing and mailing for total expenses of \$36,615. In other words it cost the Town \$53,751 to collect \$34,271. **This fiscal impact does not include the value of the time that would have been saved by taxpayers.**

If Town Council is agreeable to make the above changes, the impact would create a “tax holiday” for any personal property taxes due in tax year 2014 (with the exception of a supplemental personal property tax billing for personal property taxes pro-rated for tax year 2013 and collected in March 2014). However, because the personal property taxes currently scheduled to be collected in October 2014 under current law would be collected in May 2015 under the proposed change, there would be no budgetary impact on fiscal year 2015.

**RECOMMENDATION:** The department recommends the Town Code be amended to accomplish four things:

1. eliminate pro-rating personal property taxes (§20-24(b)(3));
2. eliminate pro-rating vehicle licensing fees (§32-85)
3. change the due date for payment of personal property taxes from October 5 to May 5 of the tax year (§20-24(b)(2)); and,
4. make vehicle license fees valid from January 1 through December 31 of each tax year (§32-87).